Executive summary

The evaluation approach

This report is based on the second stage of a two-stage survey of the December 1998-February 1999 cohort of entrants to New Deal for the Long Term Unemployed (ND25+) Pilots and a matched comparison sample from outside Pilot areas, which took place just over 18 months after participants had entered the programme. The analyses on which it is based assess Pilot effects in relation to three main outcome measures – employment entry and unemployment exit, employability and job quality. The primary evaluation approach adopted is known as the method of matching. This technique makes use of the wide range of background information on respondents that was collected from the survey, supplemented by information from the Joint Unemployment and Vacancies Operating System (JUVOS) and the New Deal Evaluation Database (NDED), to enhance the matched comparison group design and increase the extent to which Pilot effects are estimated from comparisons of like with like. The use of JUVOS and NDED data also made it possible to track clients' progress in terms of employment entry and unemployment exit up to December 2000. This gave an evaluation period following programme entry of about two years, comprising the greater part of the calendar years 1999 and 2000.

Pilot effects on employment entry and exit from JSA

Analyses based on matching in the context of a matched comparison group evaluation design produced the following main findings:-

- Pilot provision was effective in encouraging participants out of unemployment. This was the case for the evaluation period as a whole and for 1999 and 2000 considered separately. Effects were found in relation to both exits from JSA and time off JSA, so that once the programme had enabled participants to leave unemployment, they tended not to return.

- Pilot provision was effective in encouraging participants to enter employment.

- Pilot effects on both employment entry and unemployment exit were stronger for this cohort in 1999 than in 2000. Indeed, Pilot effects on employment entry had become non-significant in 2000 for this cohort. The diminution of the Pilot advantage over the comparison sample in terms of employment entry and unemployment exit could be due either to the atrophy of Pilot effects or to a 'catching-up' process on the part of the comparison group. The available evidence suggested the latter was more likely. Pilot respondents had higher employment entry and unemployment exit levels in 2000 than 1999, but by this year many members of the comparison group had accumulated substantial experience under the national ND25+ programme, which after April 2000 was improved so that the Gateway more closely resembled that in the Pilots. It is perhaps not surprising that a reduction of the

Pilot advantage coincided with many members of the comparison sample receiving assistance that included some elements of Pilot provision.

Attempts were also made to estimate the separate impact of different elements of Pilot provision, especially the Gateway and Intensive Activity Period (IAP). This proved particularly difficult in relation to the former, but it was possible to establish that both had a discernible impact and that movements off JSA from the Gateway were almost certainly more pronounced than from the IAP. The effect of IAP seemed more sustained, however, and was not weakening at the end of the evaluation period.

It was also possible to establish that Pilot provision was effective in both 12 month entry and 18 month entry areas but there was no indication that intervention at 12 months was more effective than at 18 months, or vice-versa. This result is somewhat surprising given that internal ES monitoring of JUVOS data has consistently shown that 18 month intervention is more effective than at 12 months in terms of off-flows from JSA. The finding of no significant differences between 12 and 18 month intervention in this research might stem from the fact that people in the 18 month comparison group became eligible for national New Deal provision sooner than those in the 12 month comparison group, thus reducing the 18 month effect.

Among New Deal opportunities, positive effects were found for Employer Subsidy but Education and Training Opportunities and Work Based Learning for Adults had a negative or no impact.

Pilot effects on employability

Raising participants' employability is one of the primary ways in which an active labour market programme can influence job entry chances beyond the immediate evaluation period. This is because improving employability implies developing the skills and capacities likely to increase participants' labour market prospects over the medium- to long-term.

The analyses of employability focussed primarily, therefore, on respondents who were not in employment at the time of the stage 2 interview. These respondents are ones who have found it relatively hard to enter work during the evaluation period, so analyses of employability are particularly important for them. In the absence of objective measures of employability, measures of in-work training, qualifications, job search, self-efficacy and attachment to the labour market were derived from survey responses and used as proxies for 'employability'.

Analysing self-assessed measures of employability of this type provided very little evidence to suggest that Pilot provision had raised employability. The only significant effect detected was that Pilot entrants had higher wage expectations than their comparators. This is more likely to reduce their chances of entering work over the medium- to long-term rather than increase it, because having

higher wage expectations reduces the range of job offers a person is likely to find acceptable. While higher wage expectations may be evidence of greater self-confidence on the part of Pilot participants, this conclusion was not supported by the analysis of self-efficacy. What is perhaps more likely is that the greater effectiveness of Pilot provision raised expectations with regard to programme impacts and these encouraged participants to have higher wage expectations. A paradox of the programme is that raising expectations in this way might make it harder for those participants who do not enter employment in the short-term to do so in the medium- to long-term, because these higher expectations will make the participants less employable.

Pilot effects on job quality

As was the case with the analyses of employability, very few differences emerged between the Pilot and comparison samples in relation to the quality of jobs they held at the time of the stage 2 survey. The only reliable difference was that Pilot entrants had lower levels of job satisfaction than their comparators. There were no differences between the samples, however, in relation to wages or wage progression. This finding is consistent with that of higher wage expectations reported for Pilot participants, referred to above. Given their higher wage expectations, Pilot participants would perhaps be expected to show lower levels of satisfaction with jobs that paid no more than those of their comparators.

Conclusions

Taken together, these findings present a comprehensive picture of how Pilot provision affected recipients' labour market experiences during a relatively short period after the introduction of the programme. The weight of evidence suggests that the Pilots were able to quickly improve the labour market prospects of many participants, as shown by the positive Pilot effects on job entry, JSA exit and time off JSA in the first year of the evaluation period, 1999. It is not possible to say how long these large effects would have persisted if the comparison sample had continued to receive little assistance from employment programmes in the second half of the evaluation period, but as they started to spend more time on New Deal in 2000 the Pilot effects lessened and, in the case of employment effects, disappeared.

The analyses of employability gave no suggestion that Pilot participants who had not found a job before the end of the evaluation period would have more success in this regard than similar people from the comparison sample over the next few years. ND25+ Pilot provision did not seem to enhance employability, at least as proxied by survey responses on items such as in-work training, qualifications, job search, self-efficacy and attachment to the labour market, in the way that some elements of the New Deal for Young People (NDYP) programme have done. This suggests that the positive Pilot effects identified in this report represent a large proportion of the overall advantage over the comparison sample likely to be

enjoyed by this cohort of participants. To some extent, this is consistent with the more intensive, work-first ethos of ND25+ Pilot provision compared with, for example, NDYP. As a programme of this type, there is considerable evidence to suggest it has been a success.

1. The evaluation approach

1.1 The method of matching

There are a number of possible ways of evaluating active labour market programmes and the choice of best approach is determined in large part by practicalities. Specifically, the nature of the programme and the quality of data available for analysis are key factors. As was explained in the previous chapter, this study was designed as a matched comparison group evaluation and retains the positive features of that approach. It is enhanced, however, by the use of propensity score matching (or, more simply, 'matching'). The matching methodology is described in more detail in this chapter.

For the purposes of illustrating how the matching technique works, the effect is considered of programme participation on the probability of having found employment at a subsequent point in time. The obvious way of doing this is to compare the proportion employed among those who participated and those who did not participate. However, the results of such comparisons will be misleading if certain characteristics of participants differ substantially from those of non-participants. More specifically, if participants had more favourable labour market characteristics than non-participants before entering the programme, one would expect them to have had more success in finding employment even if they had not taken part in the programme.

In order to identify the effect of the programme on employment, one must therefore take account of the participants' likely employment prospects had they not participated. Subtracting this from the actual result yields an estimate of programme effect. However, the difficulty arises from the fact that only actual employment is observed rather than hypothetical employment prospects that would have resulted from participants not participating. What is needed in order to estimate the programme effect is the employment prospects for those who participated *had they not participated*.

The results provided by the simplistic approach of comparing the proportion employed among participants and non-participants implicitly assume that the prospects of non-participants provide a reasonable estimate of the prospects of participants had they not participated. The method of matching improves upon this by considering only that subset of non-participants who are in some sense similar to participants. Hence, their employment prospects can be regarded as a better indicator of the employment prospects of participants had they not participated since the comparison is essentially of like with like. In the case of the ND25+ Pilots, the efficacy of the programme is estimated in relation to a comparison sample of non-participants. Hence, an estimate is needed of how individuals who experienced Pilot participation would have fared if they had instead been in the comparison sample.

It is useful to provide an outline of the process involved in carrying out the matching. There are essentially two stages. First, models of Pilot participation are estimated. Second, individuals are matched using the resulting estimates of probability of Pilot participation. Each individual in the Pilot sample is matched with that individual in the comparison sample with the most similar probability of being in the Pilot sample. Comparing the proportion in employment of the Pilot

participants with that of this matched group provides an estimate of the employment effect of the Pilots.[1]

1.2 Matching results

In this section, the results of the matching approach are presented. The analysis is based on those members of the December 1998-February 1999 cohort who responded to the stage 2 interview. As only 38 per cent of the sample frame responded to the stage 2 survey, it was necessary to construct sample weights in order to lessen the consequent biases in the estimates of programme effects. These were used in the estimation of Pilot participation (the first stage of the matching process).

Descriptive statistics

Before proceeding to the analysis proper, it is helpful to consider how the characteristics of the Pilot sample differed from those of the comparison sample. Some indication of this is provided in Table 1.1 below.

Overall, the Pilot and comparison samples had very similar characteristics. This is particularly the case in relation to housing tenure, education and employment and unemployment experience prior to the evaluation period. There are some differences in relation to personal characteristics: a greater proportion of the comparison sample was female while a higher proportion of the Pilot sample was partnered. The greatest differences, however, are to be found in relation to the regional location of respondents. Pilot respondents are over-represented in the North West and South West, while the comparison sample has concentrations in Yorkshire and Humberside, the West Midlands and the East Midlands and Eastern region. These differences emerged because the best match for a Pilot area was often to be found outside the region in which it was located. There are also some small differences to be found in relation to local area characteristics. Despite this variable being used in the matching process, Pilot areas were found to have slightly higher local area unemployment rates in 1997 than comparison areas. This illustrates the difficulty, referred to earlier, of finding close area matches. Pilot areas also tended, on average, to have higher proportions of their workforce with a disability and lower proportions of ethnic minorities.

[1] A more detailed and technical exposition of the method of matching is provided at Appendix 2.

Table 1.1 Descriptive statistics of the sample

	Pilot	Comparison
Personal characteristics		
Age at beginning of evaluation period (mean)	41	40
Female (%)	18	22
Partnered (%)	35	31
Widowed, divorced or separated (%)	17	17
From ethnic minority (%)	6	8
Housing tenure		
- Social housing (%)	53	54
- Owner occupier (%)	29	26
- Private renter (%)	16	18
- Other (%)	2	2
Education		
Left full-time education aged 14 or younger (%)	6	4
Left full-time education at 15 (%)	28	28
Left full-time education at 16 (%)	36	36
Left full-time education at 17 or 18 (%)	18	17
Left full-time education aged 19 or over (%)	13	15
Previous experience of unemployment		
Been on government programme before ND (%)	37	35
No. of JSA claims since January 1995 (mean)	2	2
Length of unemployment spell pre ND (months)	17	17
Industry of longest job before evaluation period		
Extraction, manufacturing and construction (%)	33	34
Distribution, transport and communications (%)	19	21
Business and financial services (%)	8	7
Other services (%)	14	15
Never worked or missing (%)	26	23
Occupation of longest job before evaluation period		
Manager or professional (%)	9	8
Associate professional or technical (%)	4	3
Clerical (%)	8	11
Craft and related (%)	20	17
Personal and protective services (%)	6	5
Sales (%)	6	7
Process operatives (%)	16	16
Other (%)	28	32
Never worked or missing (%)	3	1
Local area characteristics		
Local area unemployment rate in 1997 (%)	7	6
Proportion of local workforce from ethnic minority (%)	8	9
Proportion of local workforce with disability (%)	15	14
Region		
Scotland	15	14
North	4	4
North West	11	3
Yorkshire and Humberside	10	14
Wales	7	5
West Midlands	8	12
East Midlands and East Anglia	10	17
South West	14	7
London and the South East	21	24
Base	**1193**	**808**

Results of estimating the Pilot participation equation

The first stage in the matching process is to model the probability of Pilot participation as opposed to being in the comparison sample. This is done by estimating a binomial logistic regression model where the dependent variable takes the value 1 if the respondent is in the Pilot sample and 0 if the respondent is in the comparison sample. From this model, 'propensity scores' are calculated as the estimated probability of Pilot participation. It is these scores that are used to perform the match, as noted earlier. In view of the central importance of these scores in deriving an adequate match, it is instructive to consider the estimation results. These are given in Table 1.2.

It is only necessary to include those variables that influence both participation and outcomes. The outcomes under consideration are those relating to labour market effects. For example, the effect of Pilot participation on the probability of finding unsubsidised employment. 'Softer' outcomes such as employability are also considered. The rationale for including variables that influence both participation and outcomes is that if a variable influences participation but not outcome, there is no need to control for the differences between the treatment and the control groups for this variable since the outcome variable of interest is unaffected.[2] Alternatively, if the variable influences outcome but not participation, there is no need to control for it since it will be insignificantly different in the treatment and comparison groups. Variables that affect neither participation nor outcome are clearly unimportant, so the only remaining type of variable is the kind that influences both participation and outcome – and these are the ones needed to match. To include additional variables may increase the probability that there is no close match for a treated individual. However, the proportion of the sample discarded due to lack of support was quite small so the approach adopted was to estimate the participation model using a comprehensive set of explanatory variables.[3]

As a general comment, the results tend to confirm the differences shown in the simple descriptive statistics in Table 1.1. For example, the Pilot sample were considerable more likely than the comparison sample to be located in the South West according to the descriptive statistics and this variable predicted Pilot entry. Similarly, higher local area unemployment rates predicted Pilot entry, as one would expect from the descriptive data. Overall however, the model shown in Table 2.1 underlines how similar the samples are even before matching has been carried out. More than 50 variables were used to predict Pilot entry but less than 10 of these were statistically significant. This suggests that the individual and area matching carried out as an integral part of the original evaluation design had worked to good effect.

[2] In particular, whether or not the area in which a client lives is chosen as a Pilot area has no effect on the likelihood that they would have left JSA or entered employment in the absence of the Pilots, so it does not therefore enter the propensity score model – even though it clearly affects participation.
[3] In fact, only nine members of the Pilot sample (1 per cent) were discarded due to lack of support.

Table 1.2 Results of estimating Pilot participation

	Coefficient	Significance (%)
Constant	-2.3360	5
Personal characteristics		
Age at beginning of evaluation period	0.2920	
Female	-0.2877	5
Partnered	0.1760	
Widowed, divorced or separated	0.1129	
From ethnic minority	-0.2815	
Education		
Left full-time education aged 14 or younger (%)	0.2920	
Left full-time education at 15 (%)	-0.1348	
Left full-time education at 17 or 18 (%)	-0.0112	
Left full-time education aged 19 or over (%)	-0.2065	
Previous experience of unemployment		
Been on government programme pre evaluation period (%)	0.0853	
No. of JSA claims since January 1995 (mean)	-0.0708	
Length of unemployment spell pre evaluation period (months)	0.0080	
Industry of longest job before evaluation period		
Extraction, manufacturing and construction (%)	-0.4054	
Distribution, transport and communications (%)	-0.1970	
Business and financial services (%)	0.1785	
Other services (%)	-0.7215	10
Occupation of longest job before evaluation period		
Manager	0.4828	
Professional	0.5523	
Associate professional or technical (%)	0.3528	
Clerical (%)	-0.0133	
Craft and related (%)	0.2391	
Personal and protective services (%)	0.6997	5
Sales (%)	-0.2306	
Process operatives (%)	0.0661	
Occupation sought		
Manager	0.2082	
Professional	0.1613	
Associate professional and technical	0.0742	
Clerical	0.1789	
Craft and related	0.3312	5
Sales	0.3193	
Process operatives	0.1974	
Local area characteristics		
Local area unemployment rate in 1997 (%)	0.4219	1
Proportion of local workforce from ethnic minority (%)	0.2239	
Proportion of local workforce with disability (%)	0.4083	1
Region		
Scotland	0.2774	
North	2.8132	1
North West	0.9514	1
Yorkshire and Humberside	-0.2321	
Wales	0.3190	
West Midlands	0.1749	
East Midlands and East Anglia	-0.2922	

South West	0.6642	1

Notes
The reference categories for dummy variables were as follows:- for female, male; for partnered, single never married; for widowed, divorced or separated, single never married; for ethnic minority, white; for age left full-time education, 16; for whether been on government programme before evaluation period, no; for industry of longest job before evaluation period, no job or no industry given; for occupation of longest job before evaluation period, other, no job before evaluation period or none given; for occupation sought, other or missing; for region, London and the South East.

Identifying the counterfactual

Having estimated the probability models and associated propensity scores, the next step in the matching process is to identify the counterfactual for each treated person. This wad done by finding, for each individual in the Pilot sample, that individual in the comparison sample with the most similar propensity score. Having discarded unsupported individuals, of whom there were very few, the matching process concludes by finding, for each Pilot participant, a counterfactual person from the comparison sample. This may result in individuals being used as comparators more than once. Should this happen, such individuals receive a weight that corresponds to the number of times they serve as comparators. Hence, the sum of weights in the comparison sample is equal to the number of observations in the Pilot sample.

It is important to examine the extent to which comparators are used more than once as over-reliance on single observations may reduce the precision of the estimates of programme effects. The mean weight attached to members of the comparison group was 2.5. This means that each member of the comparison sample who was matched to a member of the Pilot sample provided a counterfactual for an average of 2.5 Pilot participants.[4] There is very little to judge this against but it appears within the range presented by Lechner (1999). Similarly, the distribution of these weights seems to suggest that there is not an unacceptably great reliance on a small number of comparators. To illustrate, the decile of comparators with the largest weights provide counterfactuals for 35 per cent of the Pilot sample. Again, this appears reasonable in the light of the limited available evidence from other studies (Gerfin and Lechner, 2000; Lechner 1999).

1.3 Assessment

In this chapter, the matching approach was described and the results of implementing the matching were presented. This forms the basis for much of the subsequent analysis of programme effects associated with the ND25+ Pilots hence it rewards detailed consideration. The results have shown that the models of Pilot participation appear plausible and include a number of significant variables in all cases. This, together with the rich variable set used in the modelling, provides some reassurance that the matching approach is successfully controlling for those characteristics that might be expected to

[4] 479 respondents from the comparison sample (59 per cent) were used to provide matches. The remaining 329 (41 per cent) were not used in the matching analyses.

result in differences in outcomes between Pilot participants and the comparison sample. The information on the resulting matching weights and the remaining differences between the treatment and comparison groups in each case appear acceptable. In view of this, it is appropriate to examine the effects of Pilot participation by simply comparing mean differences. The matching approach is assumed to have successfully controlled for variations in outcome caused by differences in the characteristics of Pilot participants and the comparison sample.[5]

2. Impacts on employment entry and unemployment exit

[5] Further analyses (not reported here) were carried out in order to test whether the matching process had controlled for variations in outcome caused by differences in the characteristics of Pilot participants and the comparison sample. This involved constructing logistic regression models that explained employment entry and unemployment exit and including as explanatory variables many of the factors included in the matching models. Indicators of Pilot participation were also included in these models, along with variables that sought to control for selection into Pilot participation. The results of these more traditional evaluation exercises indicated Pilot effects on employment entry and unemployment exit that were broadly consistent with those reported in the following chapter, which suggests that the matching process had controlled for variations in outcome caused by differences in the characteristics of Pilot participants and the comparison sample this some success. It should be noted, however, that these are markedly different types of analysis and that direct comparisons between their results would be crude.

2.1 Introduction

In this chapter, the effects of Pilot participation on employment entry and unemployment exit are considered. In most cases, the findings are based on the matching results presented earlier, which take the form of simple comparisons in average levels of a particular outcome for those participants in the Pilot sample relative to those in the comparison sample. Where sample numbers were not sufficient to carry out matching however, comparisons are made using regression techniques. A number of outcome measures are considered drawing on both the survey data and the administrative data and these will be described in more detail below. The chapter begins by considering the overall effects of Pilot participation and then moves on to differentiate between different elements of Pilot provision, especially the Gateway and Intensive Activity Period. The impact of New Deal opportunities is also considered and analyses are conducted to examine whether the Pilot effect varied by area type.

2.2 Pilot effects on exits from Jobseekers Allowance (JSA)

Pilot effects on the chances of leaving JSA were estimated using information from the Joint Unemployment and Vacancies Operating System (JUVOS). JUVOS data was available for the whole of the evaluation period, covering the years 1999 and 2000, and analyses were carried out relating both to the period as a whole and particular segments of it. It was important to differentiate between programme effects observed during different parts of the evaluation period since, as described in Chapter One, the services available to the comparison sample changed substantially as the evaluation period progressed.

As well as providing information on whether a client has left JSA, the JUVOS data indicates their reason for leaving, as long as the client supplies this information. The 'reason for claim end' variable in JUVOS has around twenty categories, which is clearly too many for use in econometric analyses. For this reason, the exit information was combined into five categories. Table 2.1 indicates how this was done. It also shows the proportion of the sample that was in each JUVOS 'reason for claim end' category as of December 2000.

Those respondents still claiming JSA at a particular point in time are classified as such. Where respondents are no longer claiming JSA and the reason given for their most recent exit from JSA was 'found work' or 'jobseeker works on average 16+ hours', they are classified as having left for either unsubsidised or subsidised employment. They cannot be allocated to these categories on the basis of JUVOS data because it does not contain information on whether the job was obtained via an Employer Subsidy as part of New Deal. In order to do this, the date of exit from JSA was compared with any information on the date of entry to the Employer Subsidy opportunity from the New Deal Evaluation Database (NDED). Where a date for Employer Subsidy entry existed, and where it coincided with a date of exit from JSA that was due to finding work, this exit was classified as one to subsidised employment. All other exits to 'found work' or 'jobseeker works 16+ hours' were classified as unsubsidised employment.

Table 2.1 JUVOS reason for claim end

JUVOS reason for claim end	Combined category	Number
Still claiming JSA (45%)	Still claiming JSA	1
Found work (23%)	Left JSA for unsubsidised employment	2
Jobseeker works on average 16+ hours (1%)	Left JSA for unsubsidised employment	2
Found work (2%)	Left JSA for subsidised employment	3
Jobseeker works on average 16+ hours (*%)	Left JSA for subsidised employment	3
Claimed Incapacity Benefits (9%)	Left JSA for economic inactivity	4
Transfer to government training (4%)	Left JSA for economic inactivity	4
Claimed Income Support (4%)	Left JSA for economic inactivity	4
Claimed another benefit (3%)	Left JSA for economic inactivity	4
Retired (1%)	Left JSA for economic inactivity	4
Full-time education (* %)	Left JSA for economic inactivity	4
Automatic credits (* %)	Left JSA for economic inactivity	4
Sickness Benefit claimed (* %)	Left JSA for economic inactivity	4
Approved training (* %)	Left JSA for economic inactivity	4
Deceased (* %)	Left JSA for economic inactivity	4
Failed to attend (4%)	Left JSA for unknown destination	5
Other reason (2%)	Left JSA for unknown destination	5
Ceased claiming (2%)	Left JSA for unknown destination	5
Gone abroad (* %)	Left JSA for unknown destination	5
Defective claim (*%)	Left JSA for unknown destination	5
Unknown reason (*%)	Left JSA for unknown destination	5
Unclassified exits (*%)	Left JSA for unknown destination	5

A large number of JUVOS reasons for claim end were combined as exits to economic inactivity. These are listed in Table 2.1 according to the frequency with which they occurred in the sample. The most common reasons for exit here were linked to obtaining benefits other than JSA, especially Incapacity Benefit and Income Support. The only other exit to economic inactivity of any size was 'transfer to government training'.[6]

The final combined category was for those respondents who failed to provide any information for the JUVOS system regarding their reason for leaving JSA. The different

[6] The classification of these items as denoting 'economic inactivity' should not be taken to imply complete detachment from the labour market. It is known that clients undertaking government training often search for work at the same time, as can those receiving benefits other than JSA. It is likely to suggest a greater proportion of respondents in economic inactivity than is indicated through surveys, therefore, which often ask respondents directly whether they are looking for work. What these items have in common, however, is that the respondents are not in work and, unlike JSA claimants, are not *required* to be actively seeking work.

types of unknown destination are again listed in order of frequency in Table 2.1, with 'failed to attend', 'other reason' and 'ceased claiming' being most common.

Table 2.2 shows the proportion of the sample that was in each of the combined categories as of December 2000 and shows how this differed between those in Pilot and those in comparison areas.[7]

Table 2.2 JUVOS reason for claim end (combined categories), at December 2000

Column %s

Reason	Pilot	Comparison
Still claiming	42	50
Left for unsubsidised employment	25	21
Left for subsidised employment	2	2
Left for economic inactivity	21	21
Left for unknown destination	11	6
Weighted base	*1193*	*808*

It is clear from Table 2.2 that the Pilot sample appeared to outperform the comparison sample in relation to the proportion of each group that was still claiming JSA in December 2000, at the end of the evaluation period. Whereas half the comparison sample were claiming JSA at this point, this was true of only two-fifths of the Pilot sample (42 per cent). What is less clear, however, is whether the Pilot sample outperformed the comparison sample in relation to desirable reasons for leaving JSA. There is a gap between the samples in the proportion whose most recent exit from JSA by December 2000 was for unsubsidised employment but it is not large: 25 per cent in the Pilot sample against 21 per cent of the comparison sample. A larger difference exists regarding exits to unknown destinations, with 11 per cent of the Pilot sample failing to provide information as to why they left JSA, compared to only six per cent of the comparison sample. There were no differences between the samples in relation to the other two categories.

These descriptive statistics imply that, by the end of the evaluation period, respondents who had experienced Pilot provision were less likely to be on JSA than the comparison sample and somewhat more likely to have left it for unsubsidised employment, but that quite a large proportion of the difference in JSA exit rates between the two groups seemed to be accounted for by exists to unknown destinations. In order to test whether these conclusions are sustainable however, it is necessary to examine the mean differences in outcomes that were recorded once the Pilot sample had been matched with

[7] Many leavers to unknown destinations have in fact found work, so that employment effects calculated on the basis of JUVOS data may be lower bound estimates. Recent research on entrants to New Deal for Young People has suggested that about 57 per cent of those leaving for unknown destinations had entered employment (O'Donnell, 2001). Comparisons between JUVOS and stage 2 survey data also suggest that a substantial proportion of those with unknown destinations had found work. Of those respondents whose last exit from JSA by December 2000 was to an unknown destination, 36 per cent said they were in work at the time of the stage 2 survey (which took place in the August-November 2000 period).

comparators using the matching technique described in Chapter One. The results of this exercise are reported in Table 2.3.

Table 2.3 JSA exits by December 2000 – programme effects based on matching

JSA status at December 2000	Pilot effect (percentage points)	Proportion of JSA exit effect (%)
Left JSA	8.4 (5%)	100
Left for unsubsidised employment	2.5 (n.s.)	30
Left for subsidised employment	0.4 (n.s.)	5
Left for economic inactivity	1.7 (n.s.)	20
Left for unknown destination	3.8 (5%)	45

Note: figures in brackets indicate statistically significant effect and the level of significance; n.s. means non-significant

The findings reported in Table 2.3 are broadly consistent with the descriptive statistics presented in Table 2.2. The proportion of the Pilot sample that had left JSA by December 2000 was 8.4 percentage points greater than it would have been had they not received Pilot provision. This Pilot effect was significant at the 5 per cent level. There was no evidence, however, that Pilot provision had increased the likelihood of respondents exiting JSA for employment at this point. The only statistically significant reason for JSA exit was to unknown destinations. This type of exit accounted for 45 per cent of the difference in unemployment rates between the two samples (Table 2.3).

The findings in Table 2.3 relate to differences between the Pilot and comparison samples that were observed at a particular point in time, December 2000. It is clearly important to estimate sample differences in outcomes that are observed at the end of the evaluation period because this allows the maximum possible time for the programme to have an effect and effects estimated at this time have the best chance of being sustainable. As was noted in Chapter One, however, the services made available to the comparison sample changed substantially over the course of the comparison sample. In particular, once members of the comparison sample passed the two years unemployment threshold they became eligible for national ND25+ provision. Also, from April 2000 national ND25+ provision began to incorporate many of the features of Pilot provision. For these reasons, a better estimate of the Pilot effect relative to 'no treatment' can perhaps be derived by concentrating on earlier segments of the evaluation period, even though this allows the programme less time to have an effect. Table 2.4 shows the proportion of the sample that was in each of the combined categories as of December 1999 and shows how this differed between those in Pilot and those in comparison areas.

Table 2.4 JUVOS reason for claim end (combined categories), at December 1999

Column percentages

Reason	Pilot	Comparison

Still claiming	53	65
Left for unsubsidised employment	20	12
Left for subsidised employment	3	2
Left for economic inactivity	16	17
Left for unknown destination	8	5
Weighted base	*1193*	*808*

Despite having a shorter time period in which to influence outcomes, Pilot provision appears more effective on the basis of JSA status at December 1999 than it did a year later. There is a 12 percentage point gap between the samples in relation to the proportion of respondents still on JSA at the end of December 1999, with just over half of the Pilot sample (53 percent) having this status compared with two-thirds (65 per cent) of the comparison sample. This compares to only eight percentage points at the end of December 2000. Similarly, the Pilot sample enjoyed an eight percentage point advantage over the comparison sample with regards to exits to unsubsidised employment at December 1999 (20 per cent against 12 per cent), compared with a four percentage point advantage at December 2000. Overall, therefore, the descriptive statistics suggests that the Pilot sample was able to achieve a greater advantage over the comparison sample by December 1999 than it held at December 2000. The results in Table 2.5 show this superior performance was confirmed by matching analyses that estimated Pilot effects to the end of December 1999.

Table 2.5 JSA exits by December 1999 – programme effects based on matching

JSA status at December 1999	Pilot effect (percentage points)	Proportion of JSA exit effect (%)
Left JSA	15.2 (1%)	100
Left for unsubsidised employment	10.8 (1%)	71
Left for subsidised employment	1.0 (n.s.)	7
Left for economic inactivity	-0.2 (n.s.)	-1
Left for unknown destination	3.6 (5%)	24

Note: figures in brackets indicate statistically significant effect and the level of significance; n.s. means non-significant

The Pilot effects reported for December 1999 are larger than those for December 2000. Members of the Pilot sample had left JSA by December 1999 to an extent that was 15.2 percentage points greater than it would have been had they not received Pilot provision, an effect that was significant at the 1 per cent level. Another marked difference between the two sets of results is that this positive Pilot effect for 1999 was due largely to exits to unsubsidised employment. Pilot respondents were 10.8 percentage points more likely than their matches from the comparison sample to have left JSA for unsubsidised employment, an effect accounting for 71 per cent of the difference in unemployment rates between the two samples. Exits to unknown destinations were more common for the Pilot than the comparison sample by December 1999 as they had been by December 2000, but

the difference in the case of 1999 is that they do not account for as high a proportion of the JSA exit effect (Table 2.5).

The evidence of a stronger Pilot effect on unemployment exit and employment entry by the mid-point of the evaluation period than at its end has a number of potential explanations. It may be that the Pilots only exerted a temporary positive effect on labour market outcomes, which was evident by the end of 1999 but had atrophied by the end of the evaluation period. The descriptive statistics do not support this explanation however. A smaller proportion of Pilot respondents were on JSA in December 2000 (42 per cent) than in December 1999 (53 per cent) and a greater proportion had left JSA for unsubsidised employment (25 per cent against 21 per cent). An alternative explanation is that the New Deal provision experienced by many members of the comparison sample in 2000 was able to partly close the gap between the Pilot and comparison samples in terms of labour market outcomes that was observed in 1999. Further analyses are able to shed more light on the veracity of this explanation.

Table 2.6 reports mean differences in outcomes, based on matching, where JSA exits are observed up to the end of June 1999. This compares outcomes at a very early stage of the evaluation period. By the end of June 1999, those members of the comparison sample who had remained on JSA and had passed two years unemployment were beginning to receive national New Deal provision but would have been at the very early stages of the programme. The Pilot sample, in contrast, had all entered New Deal and would, in most cases, have been at an advanced stage of Gateway provision or would have progressed to the IAP, assuming that they had not left JSA by this point. This first quarter of the evaluation period, therefore, approximates most closely to a 'treatment versus no treatment' evaluation scenario.

Table 2.6 JSA exits by June 1999 – programme effects based on matching

JSA status at June 1999	Pilot effect (percentage points)	Proportion of JSA exit effect (%)
Left JSA	14.9 (1%)	100
Left for unsubsidised employment	10.1 (1%)	68
Left for subsidised employment	1.6 (5%)	11
Left for economic inactivity	1.7 (n.s.)	11
Left for unknown destination	1.4 (n.s.)	9

Note: figures in brackets indicate statistically significant effect and the level of significance; n.s. means non-significant

The findings reported in Table 2.6 show that the robust Pilot effects on unemployment exit and employment entry, evident by the end of 1999, were indeed apparent by half way through that year, only six months into the evaluation period. By this stage, members of the Pilot sample were already 14.9 percentage points more likely to have left JSA than if they had not received Pilot provision. This is only marginally smaller than the JSA exit effect observed at the end of 1999. The great majority of this advantage was again due to

exits to unsubsidised employment, which accounted for over two-thirds (68 per cent) of the difference in JSA exit rates. One difference between these findings and those reported for the end of 1999 in Table 2.5 is that there is evidence at the six-month stage of a Pilot advantage in exits to subsidised employment. While very small at 1.6 percentage points, this advantage is statistically significant. It reflects the fact that, during the first quarter of the evaluation period, some members of the Pilot sample would have gained access to the Employer Subsidy, whereas very few of members of the comparison sample would have done so.[8] It further illustrates how the first quarter of the evaluation period approximates well to a 'treatment versus no treatment' evaluation.

Further insights into the way in which Pilot participation affected outcomes can be gathered by estimating programme effects at the three-quarter point of the evaluation period, at the end of June 2000. These are shown in Table 2.7.

Table 2.7 JSA exits by June 2000 – programme effects based on matching

JSA status at June 2000	Pilot effect (percentage points)	Proportion of JSA exit effect (%)
Left JSA	7.8 (5%)	100
Left for unsubsidised employment	4.3 (10%)	55
Left for subsidised employment	0.2 (n.s.)	3
Left for economic inactivity	0.5 (n.s.)	6
Left for unknown destination	2.8 (n.s.)	36

Note: figures in brackets indicate statistically significant effect and the level of significance; n.s. means non-significant

Comparing the Pilot effect on JSA exits by June 2000 with the same outcome by December 1999 shows how the Pilot effect weakened substantially in the first half of 2000. Whereas by December 1999 the Pilot sample had left JSA to an extent that was 15.2 percentage points greater than it would have been had they not received Pilot provision (Table 2.5), this figure had fallen to 7.8 per cent by June 2000 (Table 2.7). Similarly, the Pilot effect on exits to unsubsidised employment had fallen to 4.3 percentage points by June 2000, from its level of 10.8 percentage points at December 1999. It was clearly starting the downward trend that concluded with its disappearance by the end of the evaluation period, in December 2000. The most likely explanation for the narrowing of the Pilot advantage in the third quarter of the evaluation period is that almost all of those members of the comparison sample who were to enter New Deal during the evaluation period had done so by this time. Indeed, most of them had acquired

[8] The number of sample members who obtained access to subsidised employment was very low, with only 75 respondents (four per cent) doing so at any stage of the evaluation period. Of the 50 Pilot participants who received the opportunity however, 31 (62 per cent) did so before the end of June 1999. This was true for only six (24 per cent) of the comparison sample members who gained access to the subsidy. It is this dichotomy in the timing of entry to subsidised employment that allows the subsidised employment effect to be statistically significance despite being very small.

substantial New Deal experience by this point. This equivalising of New Deal experience seems to coincide with an equivalising of outcomes as the evaluation period progresses.

Table 2.8 attempts to draw together the findings in this section by summarising the Pilot effects estimated at different stages of the evaluation period.

Table 2.8 JSA exits during the evaluation period – summary of results based on matching

JSA status	June 1999	December 1999	June 2000	December 2000
Left JSA	14.9 (1%)	15.2 (1%)	7.8 (5%)	8.4 (5%)
Unsubsidised employment	10.1 (1%)	10.8 (1%)	4.3 (10%)	2.5 (n.s.)
Subsidised employment	1.6 (5%)	1.0 (n.s.)	0.2 (n.s.)	0.4 (n.s.)
Economic inactivity	1.7 (n.s.)	-0.2 (n.s.)	0.5 (n.s.)	1.7 (n.s.)
Unknown destination	1.4 (n.s.)	3.6 (5%)	2.8 (n.s.)	3.8 (5%)

Note: figures in brackets indicate statistically significant effect and the level of significance; n.s. means non-significant

In terms of the Pilot effect on JSA exit, a distinction can be drawn between the first and second years of the evaluation period. Pilot provision quickly has a substantial impact on the likelihood of leaving JSA, with the Pilot sample being almost 15 percentage points more likely than their comparators to exit JSA by mid-1999. This Pilot effect is maintained for the remainder of 1999. By mid-2000 there has been a substantial erosion of the Pilot effect on JSA exit, with the estimate by this time down to about 8 percentage points, a level broadly maintained until the end of the evaluation period. This reduction in the relative performance of the Pilot sample coincides with greater amounts of New Deal provision amongst many members of the comparison sample.

The Pilot impact on exits from JSA to employment exhibits a similar pattern, with Pilot provision adding more than 10 percentage points to the likelihood of leaving JSA for unsubsidised employment within the first quarter of the evaluation period and this being maintained until the end of 1999. The effect is more than halved by the third quarter of the period and is only significant at the 10 per cent level. By the end of 2000 it is below three percentage points and no longer statistically reliable.

Other JSA exits offer less emphatic findings. There is no evidence of a Pilot effect on exits to economic inactivity, which consists largely of transfers onto other benefits. There is early evidence of a Pilot effect on exits to subsidised employment but this is largely a reflection of programme design rather than programme performance. There is some evidence of a Pilot effect on exits to unknown destinations. This is by its nature very difficult to interpret and in any case only statistically significant in two of the quarters.

2.3 Pilot effects on time in unemployment

The previous section estimated Pilot effects on the likelihood of leaving JSA for a variety of destinations by considering JSA status at several points in time during the evaluation period. While providing a detailed picture of the pattern of JSA exit, this 'snapshot' approach suffers from the limitation that the destination to which a respondent left JSA during a particular month might be short-lived, and followed by a return to JSA shortly after. For example, a respondent who left JSA for unsubsidised employment in March 1999 and who had not returned to JSA by June 1999 would be recorded in the first quarter analyses as having left JSA for unsubsidised employment. If they returned to JSA in August 1999 but then left for unsubsidised employment again in October 1999, they would once more be treated in the second quarter analyses as having left JSA for unsubsidised employment. In this example, the snapshot analyses would tend to underestimate the respondent's tendency to be on JSA. Similarly, the person who has been employed continuously after leaving the Pilots but who claimed JSA for the month of December 2000 will be recorded as being on JSA. In this example, the snapshot analysis would overestimate the respondent's tendency to be on JSA.

This limitation can be overcome by analysing the proportion of time respondents spent on JSA during all or particular parts of the evaluation period. Table 2.9 presents descriptive statistics on this outcome variable.

Table 2.9 Proportion of time on JSA

Time period	Pilot (%)	Comparison (%)	Pilot-Comparison
1999 and 2000	57	69	-12
1999	67	80	-13
2000	47	57	-10
First quarter	80	91	-11
Second quarter	54	69	-15
Third quarter	49	59	-10

Fourth quarter	44	54	-10
Weighted base	*1133*	*756*	

For the evaluation period as a whole, Pilot participants spent, on average, 57 per cent of the time on JSA, whereas members of the comparison sample spent 69 per cent, a difference of 12 percentage points. The difference in 1999 was larger than in 2000, at 13 percentage points as against 10. This distinction is consistent with the findings presented earlier on JSA exits, which showed that the overall advantage of Pilot participants had more to do with events in 1999 than in 2000. Another similarity becomes apparent when the proportion of time on JSA in each of the four quarters of the evaluation period is examined. The greater relative performance of the Pilots in 1999 is particularly apparent from the second quarter of the evaluation period, July to December, where they enjoy a 15 percentage point advantage over the comparison sample. This is again consistent with the findings on JSA exits, which showed the Pilot effect to be strongest at the end of this quarter.

Table 2.9 also illustrates how the incidence of unemployment diminished for both samples over the course of the evaluation period. Whereas Pilot participants spent an average of 80 per cent of their time on JSA in the first quarter, this fell to 44 per cent by the fourth quarter. The comparison sample experienced a similar decline, from 91 per cent in the first quarter to 54 per cent by the fourth. These descriptive statistics are consistent with the idea that the diminution of the Pilot advantage over time had more to do with a ‘catch-up’ effect by the comparison sample rather than atrophy of the Pilot impact.

A reliable indicator of the Pilot advantage in relation to proportion of time on JSA can only be obtained by comparing mean differences between the Pilot sample and the comparators with whom they were paired by the matching process. The results based on matching analyses of this outcome variable are shown in Table 2.10.

Table 2.10 Proportion of time on JSA – programme effects based on matching

Time period	Pilot effect
1999 and 2000	-10.8 (1%)
1999	-13.1 (1%)
2000	-8.3 (5%)
First quarter	-11.0 (1%)
Second quarter	-15.2 (1%)
Third quarter	-10.2 (1%)
Fourth quarter	-6.3 (10%)

Note: figures in brackets indicate statistically significant effect and the level of significance; n.s. means non-significant

The programme effect for the evaluation period as a whole suggests that Pilot participation makes the proportion of time on JSA 10.8 percentage points lower than it would have been in the absence of Pilot provision. The effect for 1999 (13.1 percentage points) is again larger than for 2000 (8.3 percentage points). Examination of the four quarters again shows the second quarter to be the strongest in terms of the Pilots relative performance (15.2 percentage points). In a finding somewhat inconsistent with the descriptive statistics and the estimates on JSA exits, the Pilot effect for the fourth quarter is much reduced, at only 6.3 percentage points and on the margins of statistical reliability. This implies that the Pilot effect on time on JSA might not last much beyond 2000.

2.4 Pilot effects on employment entry and time in employment

The results reported thus far in this chapter have used outcome data derived from JUVOS. In this section, attention is focused on findings from the stage 2 survey, carried out between August and November 2000. Using data from the stage 2 survey makes it possible to estimate programme impacts on employment at the time of the interview and on the proportion of time in employment during the evaluation period. Table 2.11 presents descriptive statistics on these outcome variables.

Table 2.11 Employment entry and time in employment – descriptive statistics

Measure of employment	Pilot	Comparison	**Weighted base**
In employment at stage 2 interview	29 %	25 %	*2001*
Proportion of time in employment during evaluation period	22 %	18 %	*1962*

The descriptive statistics on employment at the stage 2 interview are broadly consistent with those for exits to employment by December 2000 (reported in Table 2.2). Whereas 27 per cent of the Pilot sample and 23 per cent of the comparison sample had left JSA for employment in their most recent JSA exit up to December 2000, 29 per cent of the Pilot sample reported being in employment at the stage 2 interview compared with 25 per cent of the comparison sample. As the stage 2 interview took place in October 2000, on average, this similarity is to be expected. It suggests a small Pilot advantage at the time of the stage 2 interview. The data on proportion of time employed during the evaluation period presents a similar picture, with Pilot respondents having spent an average of 22 per cent of the time in employment, compared with 18 per cent of the comparison sample. Reliable indicators of the Pilot advantage in relation to being in employment at the stage 2 interview and proportion of time in employment can of course only be obtained by comparing mean differences between the Pilot sample and the comparators with whom they were paired by the matching process. Table 2.12 presents the results of these analyses.

Table 2.12 Employment entry and time in employment – programme effects based on matching

Measure of employment	Pilot effect
In employment at stage 2 interview	-3.8 (n.s.)
Proportion of time in employment during evaluation period	3.5 (n.s.)

The matching analyses based on outcome variables from the survey data provide no evidence that Pilot participation has increased the chances of obtaining and remaining in work. The Pilot sample are no more likely to be in work than the comparison sample and, although they enjoyed 3.5 percentage points more time in employment during the evaluation period, this effect was not statistically significant.

While the non-significance of the 'in employment at stage 2 interview' variable is to be expected given the similar results from analysis of JUVOS exits to employment by December 2000, it is rather surprising that there is no significant Pilot effect on proportion of time in employment during the evaluation period. Part of the reason for this non-significance is that, while Pilot entrants were more likely than the comparison sample to enter work during the evaluation period, they were no more likely to stay in work having done so. Thus, while 36 per cent of the Pilot sample entered work at some stage of the evaluation period, against 30 per cent of the comparison group, those respondents who entered work spent an average of 60 per cent of the evaluation period in employment, regardless of the sample they were in. All of the advantage, therefore, enjoyed by the Pilot sample over the comparison group in relation to the proportion of time in employment, shown in Table 2.11, is due to their greater tendency to *enter* employment rather than to *continue* in it, and their higher rate of employment is not large enough to produce a significant effect.

2.5 The relative effects of the Gateway and Intensive Activity Period

The preceding sections of this chapter have established the existence of a robust Pilot effect on exits from JSA and time off JSA and some evidence of a Pilot effect on exits from JSA to unsubsidised employment, especially during the first half of the evaluation period. It is of interest to investigate the extent to which this is due to different components of ND25+ Pilot provision. In this section, an attempt is made to estimate the separate impact of the Gateway and Intensive Activity Period (IAP).

Attempting to provide separate programme effects for those Pilot participants who only experienced the Gateway and those who progressed to the IAP is a difficult task. The main reason for this is that only experiencing the Gateway or progressing to the IAP is partly determined by a respondent's success or failure regarding labour market outcomes during the evaluation period. For example, Pilot respondents who only experienced the Gateway would have done so

because they left JSA before they were required to enter the IAP. Conversely, those Pilot respondents who entered the IAP did so because they had failed to leave JSA before the end of the Gateway period. When selecting comparators for these two groups, it is obviously important to choose from a pool of respondents with similar experiences regarding JSA exit during the evaluation period, or else the comparison will be invalid. This was not an issue for the estimation of overall Pilot effects because the selection criteria were all determined prior to the evaluation period. Separating Gateway and IAP effects is also difficult because some of the Gateway's impact is likely to be attributable to the existence of and deterrent effects of the IAP.

Estimating separate effects proved easier for the IAP than the Gateway, for reasons that will be explained below. Overall, 517 Pilot respondents (43 per cent) entered the IAP at some stage during the evaluation period. Of these 517 respondents, 367 (71 per cent) entered the IAP before end of June 1999 and 334 (65 per cent) were still on JSA at the end of June 1999. Finding acceptable comparators for this group of 334 IAP entrants was thus relatively straightforward, since any comparison sample respondent who was on JSA at the end of June 1999 would be eligible. After selecting matches from the 646 (80 per cent) of comparison sample members who fulfilled this criteria, the impact of the IAP was assessed by examining outcomes in the last three-quarters of the evaluation period. Seeking comparators for the other 183 Pilot respondents who entered the IAP was considered problematic since they were either in work by the end of June 1999 or entered the IAP after June 1999, so finding comparators in a similar position would have been very difficult. Concentrating on respondents who entered the IAP in the first quarter of the evaluation period has the added advantage that these respondents were experiencing the programme in a manner consistent with its design, in that they had been through the Gateway and entered the IAP within about six months of New Deal entry, whereas many of those who entered the IAP at a later stage would have been respondents with a delayed Gateway entry or a long Gateway.

Matches were found for the selected group of IAP respondents by re-running the Pilot entry model based only on themselves and those members of the comparison sample who were on JSA at the end of June 1999. It was then possible to estimate mean differences between the two groups in relation to JSA exits. Table 2.13 contains the results of this exercise.

Table 2.13 JSA exits during the evaluation period – results for IAP entrants and their comparators, based on matching

JSA status	June 1999	December 1999	June 2000	December 2000
Left JSA	-	4.8 (n.s.)	7.9 (10%)	9.5 (10%)
Unsubsidised employment	-	6.3 (10%)	7.3 (5%)	6.3 (10%)
Subsidised employment	-	0.3 (n.s.)	-1.0 (n.s.)	-1.0 (n.s)
Economic inactivity	-	-2.5 (n.s.)	1.0 (n.s)	2.5 (n.s.)
Unknown destination	-	0.6 (n.s.)	0.6 (n.s.)	1.6 (n.s.)

Note: figures in brackets indicate statistically significant effect and the level of significance; n.s. means non-significant

The results in Table 2.13 provide interesting insights into the effect of IAP on JSA exits. There are of course no results up to the end of June 1999 because all members of the Pilot and comparison samples used in these analyses were still on JSA at this point. Thereafter, some evidence of a JSA effect starts to emerge, particularly regarding exits to unsubsidised employment. IAP entrants have a 6.3 percentage point advantage over their comparators with regard to unsubsidised employment exits by December 1999 and this effect strengthens to 7.3 percentage points by June 2000. Despite dropping back to 6.3 percentage points by the end of the evaluation period it remains statistically significant, albeit only at the 10 per cent confidence level.

There is also evidence of an IAP effect on exits from JSA to any destination. These take rather longer to emerge, with no sign of them until the second half of the evaluation period, but reach 7.9 percentage points by June 2000, before rising to 9.5 percentage points by December 2000. These estimates are again not particularly well specified, with significance levels not rising above 10 per cent, but they do provide evidence of an IAP effect. An interesting point to note is that the pattern of Pilot effects for IAP entrants is the reverse of that for the sample as a whole, with effects emerging most strongly in 2000 and being maintained until the end of the evaluation period. This is partly because the IAP entrants are receiving Pilot provision over a longer period of time than Pilot entrants as a whole so there is likely to be more of a lag before the treatment shows its effect. It may also suggest, however, that the more substantial provision embodied in the IAP is able to produce positive effects that are more sustainable than those attributable solely to the Gateway.[9]

[9] The baseline report on ND25+ Pilot provision (Lissenburgh, 2000) provides a detailed account of what Pilot participants receive as part of the IAP.

Programme effects based on matching were also calculated for those 676 Pilot participants (57 per cent) who had only experienced the Gateway. As the Gateway was available to all Pilot entrants and they started leaving JSA from the very beginning of the evaluation period, it did not prove possible to exclude any members of the comparison sample from the group of potential comparators for these respondents. A re-matching exercise was carried out, therefore, with matches for the Gateway-only Pilot entrants drawn from the comparison sample as a whole. Estimates of mean differences between the Pilot and comparison samples based on these groups are likely to overstate the impact of Gateway, since those Pilot respondents who experienced Gateway only have, by definition, achieved sufficient success in terms of labour market outcomes to avoid entering the IAP.[10] By selecting matches who are as close to the participants as possible in terms of the factors associated with experiencing Gateway only however, this problem should kept to a minimum. Table 2.14 shows the results of matching analyses based on these groups.

Table 2.14 JSA exits during the evaluation period – results for Gateway only entrants and their comparators, based on matching

JSA status	June 1999	December 1999	June 2000	December 2000
Left JSA	31.5 (1%)	20.0 (1%)	15.3 (5%)	10.5 (5%)
Unsubsidised employment	15.4 (1%)	13.3 (1%)	9.3 (5%)	5.5 (n.s.)
Subsidised employment	1.6 (n.s.)	-0.7 (n.s.)	-0.6 (n.s.)	0.1 (n.s.)
Economic inactivity	8.4 (10%)	1.0 (n.s.)	-0.3 (n.s.)	-1.3 (n.s.)
Unknown destination	6.0 (1%)	6.3 (5%)	6.9 (5%)	6.1 (5%)

Note: figures in brackets indicate statistically significant effect and the level of significance; n.s. means non-significant

For the reasons stated above, the Pilot effects presented in Table 2.14 are likely to overstate the size of Gateway only effects, but there is perhaps more interest in any case in the pattern of effects rather than their size. There is evidence of a large Gateway effect during the first quarter of the evaluation period, with Gateway only entrants leaving JSA to an extent that is 31.5 percentage points greater than their comparators. About half of this effect is due to exits for unsubsidised employment, but exits to economic inactivity and unknown destinations account for almost all of the other half. This is consistent with an early 'shakeout' effect from the Gateway, with substantial numbers moving onto

[10] It is important to note, however, that by no means all Pilot respondents who did not enter the IAP had achieved what one would have expected in relation to JSA exits. Eight per cent of them, for example, were on JSA throughout the evaluation period and 14 per cent were on JSA for at least 90 per cent of the evaluation period.

other benefits (most commonly Incapacity Benefits). The first and second quarters are also those in which one would expect to see most evidence of participants leaving the Gateway in order to avoid entering the IAP and, indeed, the size of the Pilot effect are much larger in the first half of the evaluation period than in the second half.

Whereas the pattern of IAP effects tended to run counter to that of overall Pilot effects, the Gateway only effects tend to amplify them. Thus, the effect on JSA exits falls steeply in 2000 and by the last quarter is only marginally higher at 10.5 percentage points than the advantage achieved by the IAP entrants over their comparators (9.5 percentage points). Gateway effects on exits to unsubsidised employment actually become non-significant by the end of the evaluation period, whereas they remained significant for IAP entrants.

The size of the Gateway only effects, notwithstanding their likely exaggeration in these analyses, and the fact that most Pilot entrants only experienced the Gateway, means it is almost certainly the case that most of the overall Pilot effect is attributable to the Gateway. However, experience of Gateway only appears largely responsible for the withering of the Pilot effect in the second half of the evaluation period, in the sense that members of the Pilot sample who experienced Gateway only were most susceptible to being 'caught up' by their comparators. IAP effect, while smaller, appeared more sustained and are perhaps more likely to persist for some time after the evaluation period. These findings, along with the realisation that part of the Gateway effect is almost certainly due to the presence of the IAP and some participants' desire to avoid it, suggest that both of the mandatory elements of Pilot provision have an important role in generating positive Pilot effects on employment entry and unemployment exit. The next section moves on to consider the impact of New Deal opportunities.

2.6 The impact of New Deal opportunities

Once ND25+ participants have passed through the Gateway or Advisory Interview Process, there may be the chance to undertake one of a number of activities, or opportunities, designed to help them into work. This is the case in both Pilot and national areas. This section investigates whether undertaking any of these opportunities increased participants' chances of leaving JSA and entering work.
The focus is on three types of opportunity: Employer Subsidy, Education and Training Opportunities (ETO) and Work Based Learning for Adults (WBLA).

The number of sample members who experienced these opportunities was too low to assess their impact through matching. Table 2.15 shows the proportion of each sample who experienced a New Deal opportunity at some stage during the evaluation period.

Table 2.15 The experience of New Deal opportunities – descriptive statistics

Column %s

Opportunity undertaken	Pilot	Comparison	All
Employer Subsidy	4	3	4
ETO	1	4	2
WBLA	8	5	7
None	87	89	88
Weighted base	*1193*	*808*	*2001*

About one in eight respondents (13 per cent) experienced an opportunity, the most common of which was WBLA, which was undertaken by seven per cent of respondents. A further four per cent gained access to Employer Subsidy while only two per cent undertook an Education and Training Opportunity. There was little difference between Pilot and comparison areas in take up of Employer Subsidies, but WBLA was somewhat more common in Pilot areas while ETO was a little more prevalent elsewhere (Table 2.15).

In order to analyse whether these opportunities affected respondents' labour market outcomes, it was necessary to restrict attention to those opportunities that began in 1999. Without doing this, the analyses would be likely to produce spurious results, since each of the opportunities is designed to last several months and enough time must remain in the evaluation period for them to encourage positive labour market outcomes. This did not cause a substantial decline in sample numbers since around three-quarters of opportunities undertaken begin in 1999.

As an alternative to matching, regression models were ran that had labour market outcomes as their dependent variables and that used the factors employed for the matching analyses as explanatory variables (see Table 1.2 for reference). To this list of variables were added indicators of whether the respondent had undertaken subsidised employment, ETO or WBLA in 1999. Analyses of New Deal opportunities were restricted to 1999 entrants because respondents who entered these opportunities in 2000 would have had too little time in which to register successful outcomes and indeed may still have been undertaking the opportunity at the end of the evaluation period. Table 2.16 presents the main results obtained from this modelling exercise.

Table 2.16 The impact of New Deal opportunities

Opportunity	Employed at stage 2 interview (multiplicative odds)	Off JSA by December 2000 (multiplicative odds)	Proportion of time on JSA in 2000 (percentage points)
Employer Subsidy	2.48 (1%)	1.72 (10%)	-15.8 (1%)
ETO	0.41 (n.s.)	0.83 (n.s.)	16.2 (5%)

WBLA	0.50 (5%)	0.67 (n.s.)	5.9 (n.s.)

Note: figures in brackets indicate statistically significant effect and the level of significance; n.s. means non-significant

Binary logistic regression models were run to estimate the impact of New Deal opportunities on the likelihood of being in employment at the time of the stage 2 interview.[11] Those respondents who had gained access to an Employer Subsidy in 1999 were 2.48 times more likely to be in employment in August-November 2000 than respondents who had not undertaken this opportunity, after controlling for other factors that affect employment entry probabilities.[12] Given the gap between the end of 1999 and the stage 2 interview, the jobs held by Employer Subsidy entrants at the stage 2 interview must have been unsubsidised. WBLA had the opposite effect on employment, with WBLA entrants being only half as likely (0.50) to be in work in August-November 2000 than a respondent who did not undertake this opportunity. As any WBLA spell that started in 1999 should have been complete by the time of the stage 2 interview, this negative effect on job entry cannot be due to entrants still being on the programme.

Binary logistic regression models estimating the impact of New Deal opportunities on the likelihood of being off JSA in December 2000 tell a similar story. Employer Subsidy entrants were almost twice as likely to be off JSA than those who did not get the subsidy, but the other opportunities had no effect.

Finally, Ordinary Least Squares regression models were run to investigate whether opportunity entry in 1999 influenced the proportion of time on JSA in 2000. Employer Subsidy entrants reduced their time on JSA by about 16 percentage points, whereas those on ETO increased it by a similar amount. This may be due, however, to their still being on the opportunity because, unlike the other opportunities, entering ETO does not involve signing off JSA.

In common with similar analyses carried out as part of the evaluation of ND25+ in national areas (Lissenburgh, 2001), these findings suggest that subsidised employment had a positive impact whereas ETO and WBLA had a negative or no impact.[13]

[11] More detail on logistic regression models and how they should be interpreted can be found in Payne, Payne, Lissenburgh and Range (1999).

[12] While the models controlled for other factors affecting job entry, it did not prove possible to control for selection into the opportunities, as the probit models used to do this within a Heckman (1979) two-step framework did not have sufficient explanatory power.

[13] While consistent with analyses of WBLA carried out as part of other New Deal evaluations, these results do not sit comfortably with the findings of more detailed evaluations of WBLA's predecessor, Training for Work (TfW). Payne, Payne, Lissenburgh and Range (1999) for example, found that TfW participants spent more time in work after the programme than would have been expected had they not entered the programme. It should be noted, however, that this earlier study was based on participants who left TfW in 1995, about half a decade prior to the findings reported in this study. Also, TfW's relative importance among UK active labour market programmes was much greater in the pre-New Deal era than is that of WBLA today. This makes any direct comparison of the two studies very difficult.

2.7 The variation in Pilot effects by area

Pilot effects in 12 months entry and 18 months entry areas

The penultimate section of this chapter investigates whether the impact of Pilot provision varied according to area type. A particular feature of the Pilot programme was the testing of whether intervention was more effective at 12 months or 18 months. Some Pilot areas allowed clients to enter after 12 months unemployment, while others did so after 18 months. In order to test the relative effectiveness of these two timings of intervention, a re-matching exercise was carried out in which Pilot respondents from 12 month areas were matched with comparators from the areas that were matched specifically to 12 month Pilot areas, while those from 18 month areas were matched with comparators from the areas that were matched specifically to these Pilot areas. Table 2.17 contains the results of this exercise.

Table 2.17 Pilot effects by area type – analyses based on matching

Pilot area type	Pilot effect on proportion of time on JSA in 1999 and 2000 (percentage points)	Pilot effect on proportion of time on JSA in 1999 (percentage points)	Pilot effect on proportion of time on JSA in 2000 (percentage points)
12 month entry	-8.6 (5%)	-9.8 (1%)	-7.4 (n.s.)
18 month entry	-6.2 (5%)	-8.9 (1%)	- 3.3 (n.s)

Note: figures in brackets indicate statistically significant effect and the level of significance; n.s. means non-significant

Table 2.17 shows that both 12 and 18 month entry areas reduced the proportion of time participants spent on JSA in the evaluation period as whole and in 1999, but not in 2000. The positive effects in 12 month areas appear larger than those in 18 month areas but the differences are not great. This suggests Pilot provision has been effective in both area types but does not indicate that intervention at 12 months is more effective than at 18 months, or vice-versa.

This result is somewhat surprising given that internal ES monitoring of JUVOS data has consistently shown that 18 month intervention is more effective than at 12 months in terms of off-flows from JSA. The finding of no significant differences between 12 and 18 month intervention in this research might stem from the fact that people in the 18 month comparison group became eligible for national New Deal provision sooner than those in the 12 month comparison group, thus reducing the 18 month effect.

Variations in performance among Pilot areas

The ND25+ Pilots baseline report (Lissenburgh, 2000) suggested that, as of June 2000, there were considerable differences between the 26 Pilot areas in terms of job entry rates. Table 2.18 investigates whether this was still the case in December 2000.

Table 2.18 Variations in Pilot performance by area, in terms of JSA status in December 2000 – descriptive statistics

Column percentages

JSA status	Top 6	Middle 14	Bottom 6	All
Still claiming	29	42	49	42
Left for unsubsidised employment	38	25	17	25
Left for subsidised employment	4	1	1	2
Left for economic inactivity	17	21	22	21
Left for unknown destination	12	10	12	11
Weighted base	*202*	*702*	*289*	*1193*

This table defines Pilot areas as being in the Top 6, Middle 14 or Bottom 6 according to the proportion of entrants who had left JSA by December 2000. It then shows the JSA status in December 2000 of entrants in each of these three performance categories. As was the case in June 2000 as described in the baseline report, what really distinguishes the high-performing areas is their ability to encourage participants to leave JSA for work. By December 2000, about four in 10 participants in Top 6 areas (38 per cent) had left JSA for unsubsidised employment, compared with a quarter of participants in the Middle 14 and a sixth (17 per cent) in the Bottom 6. These differences in exits to unsubsidised employment account for nearly all of the gap between the Top 6 and Middle 14 areas with regard to the proportion of respondents who were still claiming JSA in December 2000. It is also noticeable that the differences between the Top 6 and the Middle 14 are greater than those between the Middle 14 and the Bottom 6. For example, there is a 13 percentage point difference between Top 6 and Middle 14 areas in relation to the proportion of each group that had left JSA for unsubsidised employment, but a gap of only eight percentage points between the Middle 14 and Bottom 6. The differences in proportions of each group who were still claiming JSA follows a similar pattern. This suggests that performance variation among ND25+ Pilot areas takes the form of a ‘short neck’ of high performers rather than a ‘long tail’ of underperformers.

2.8 Conclusion

This chapter has used matching in the context of a matched comparison group evaluation design in order to estimate the impact of Pilot provision on employment entry and unemployment exit. The main results were as follows:-

- Pilot provision was effective in encouraging participants out of unemployment. This was the case for the evaluation period as a whole and for 1999 and 2000 considered separately. Effects were found in relation to both exits from JSA and time off JSA, so that once the programme had enabled participants to leave unemployment, they tended not to return. The effects for 1999 were stronger than for 2000 so there was some evidence of the Pilot effect weakening as the evaluation period progressed.

- Pilot provision was effective in encouraging participants to enter employment in 1999 but the effect weakened over time and had become non-significant by 2000. The diminution of the Pilot advantage over the comparison sample in terms of employment entry, and indeed unemployment exit, could be due either to the atrophy of Pilot effects or to a 'catching-up' process on the part of the comparison group. The available evidence suggested the latter was more likely. Pilot respondents had higher employment entry and unemployment exit levels in 2000 than 1999, but by this year many members of the comparison group had accumulated substantial experience under the national ND25+ programme, which after April 2000 was altered to include some elements of Pilot provision. It is perhaps not surprising that the weakening of the Pilot advantage coincided with many members of the comparison sample receiving assistance that resembled Pilot provision.

Attempts were also made to estimate the separate impact of different elements of Pilot provision, especially the Gateway and Intensive Activity Period (IAP). This proved particularly difficult in relation to the former, but it was possible to establish that both had a discernible impact and that the direct effect of the Gateway was almost certainly larger than that of IAP. The effect of IAP seemed more sustained, however, and was not weakening at the end of the evaluation period.

It was also possible to establish that Pilot provision was effective in both 12 month entry and 18 month entry areas but there was no indication that intervention at 12 months was more effective than at 18 months, or vice-versa.

Among New Deal opportunities, positive effects were found for Employer Subsidy but Education and Training Opportunities and Work Based Learning for Adults had a negative or no impact.

3. Pilot effects on employability

3.1 Introduction

This chapter considers how New Deal for the Long Term Unemployed has affected the 'employability' of its participants. The introductory section briefly reviews the concept of employability and discusses its potential importance. The second section of the chapter reviews the analysis requirements and introduces the methods adopted. The next four sections present results under the sub-headings of 'job search behaviour', 'attitudes', 'human capital acquisition' and 'attachment to the labour market'.

The concept of employability

Increasing the employability of participants is an important objective of New Deal 25+. This does not simply mean increasing the proportion that enters jobs in the short-term. Increased employability is an objective for *all* participants. It includes outcomes that are *steps towards* employment by the participant, or towards the participant becoming better equipped to compete in the job market long-term. These most obviously include improvements in job search, and in skills and qualifications which have a value in the job market. In addition, it includes the development of attitudes and motivations that are helpful for getting and keeping a job, such as self-confidence and self-development.

Associated with employability is the notion of 'distance travelled' by the unemployed person towards 'job readiness'. This recognises, in a realistic way, that many long-term unemployed people are far from being able to compete in the job market. They may need to develop through several stages or steps before being equipped to compete. A programme that incorporates the notion of employability will help the participant to make progress along this path.

An important aspect of the employability concept is its inclusiveness, in the sense that everyone is intended to gain something from the programme, whether or not they actually get a job. Programmes that increase employability for a

wide range of disadvantaged people can be regarded as a potentially important way of combating social exclusion. In principle, it is appropriate to assess their value in terms of the welfare gains to the participants as well as of the efficiency gains to the labour market or the economy.

3.2 Assessing Pilot effects on employability

The concept of employability has considerable implications for the evaluation of labour market programmes. In the past, most evaluations have focused on a limited range of economic outcomes, notably employment rates and wages. For an analysis of employability, a wider range of intermediate outcomes must be considered. The main headings have already been noted: training and qualifications (or more generally, human capital acquisition), job search and attitudes and motivation. Although this still does not constitute a comprehensive picture, it adds up to a considerably wider assessment than has been common in previous labour market evaluations in Britain.

While improving employability is an objective of the ND25+ programme as a whole, the chapter concentrates on whether the Pilot sample have achieved this objective to a greater degree than the comparison sample. The analyses rely primarily on the matching techniques discussed in previous chapters, although where sample numbers are not sufficient descriptive statistics are employed.

3.3 Acquiring human capital

One of the likely reasons why many unemployed people have difficulty in establishing themselves in work is a lack of work experience, skills and qualifications, or in economic parlance, a deficit of 'human capital'. This lack of human capital may continue to be a problem even if an individual enters a job, if for example it is in a low-skilled occupation with few opportunities for acquiring transferable skills or qualifications. Conversely, gains in human capital may be valuable in the medium-term even if an individual does not obtain a job in the short-term. The job eventually obtained may be of a better quality, the individual may learn to value and seek further skills and qualifications, and the experience of gaining a skill or a qualification may itself increase self-confidence or other facets of motivation which build towards job-readiness.

Work-based training

An important aspect of human capital acquisition is the receipt of work-based training. Respondents who were in employment at the time of the stage 2 interview were asked whether, since they started the job, they had received any training to do the work. Overall, a third of respondents said they had received work-based training based on this definition. This proportion did not vary appreciably between the Pilot and comparison groups but in order to estimate whether Pilot provision had an impact on work-based training, Pilot respondents

who were in employment at the time of the stage 2 interview were re-matched with comparators who were also employed at this time. Table 3.1 contains the results of this analysis.

Table 3.1 Pilot effects on work-based training – analysis based on matching

Measure of human capital acquisition	Pilot effect (percentage points)	**Weighted base**
Work-based training	0.62 (n.s.)	*551*

Note: figures in brackets indicate statistically significant effect and the level of significance; n.s. means non-significant

As the descriptive statistics implied, there was no significant difference between the Pilot sample and their comparators in terms of their likelihood of receiving work-based training after entering employment.

Qualifications gained

A potentially important dimension of employability is gain in qualifications, since this is likely to enhance transferability in the job market. Analysing qualifications gained is also a good measure of 'distance travelled' on the programme. Respondents were asked about their qualifications at both the stage 1 and stage 2 interviews. Overall, 929 respondents provided information about their qualifications at both interviews. About one in eight Pilot respondents (12 per cent) obtained a qualification between the stage 1 and stage 2 interviews, as did a similar proportion of comparison sample respondents. Re-matching was carried out on this group of respondents in order to test whether there was a statistically significant Pilot impact on qualification acquisition. Table 3.2 shows the results.

Table 3.2 Pilot effects on qualifications gained – analysis based on matching

Measure of human capital acquisition	Pilot effect (percentage points)	**Weighted base**
Qualifications gained	0.74 (n.s.)	*929*

Note: figures in brackets indicate statistically significant effect and the level of significance; n.s. means non-significant

Again, there was no discernible evidence of a Pilot effect on qualifications gained, with members of the Pilot sample less than one percentage point more likely than their comparators to obtain a qualification over the course of the evaluation period.

3.4 Job search behaviour

An individual's employability depends in part on persistent and effective job search and this forms part of the assessment of Pilot provision. Job search behaviour has many different facets - for example search effort, flexibility, and

wage expectations - and each of these can be measured in different ways. It is not possible to arrive at a single summary measure capturing job search effectiveness. In addition, many people who already have jobs do not engage in job search, so many of the questions about job search can only be asked of a selected sub-sample who are not currently in work.

Wage expectations

Attention was focused on the wages sought by people in the sample who did not have a job and were seeking one. The ability of individuals to find jobs depends in part on the wages they seek and are prepared to accept. This is referred to as their 'wage expectation'. The stage 2 survey asked two questions about wage expectations, regarding the net pay they were *looking for* the last time they searched for jobs and the *lowest* amount they would have accepted. The latter question is related to, but not identical with, the economic concept of the reservation wage. A relatively high wage expectation reduces the range of jobs that are available to an individual. It should be appreciated, however, that job seekers often accept job offers that are lower than their stated wage expectations. In addition, higher wage expectations might be taken as evidence that the programme has increased participants' self-confidence and expectations from the labour market, so the interpretation of findings on this issue is not straightforward.

Among those who were unemployed at the stage 2 interview, descriptive statistics suggested that Pilot participants had higher wage expectations than the comparison sample, both in relation to the net pay they were looking for, where they wanted an average of £5.65 per hour against the comparison sample's £5.38 and the lowest wage for which they were willing to work, where the Pilot figures dropped to £4.76 but was still higher than the comparison sample's £4.55.
A re-matching procedure was carried out to assess the impact of Pilot provision on wage expectations. The results are presented in Table 3.3.

Table 3.3 Pilot effects on wage expectations - analyses based on matching

Measure of wage expectations	Pilot effect (£ per hour)	**Weighted base**
Expected wage	0.33 (5%)	*982*
Minimum wage	0.23 (n.s.)	*938*

Note: figures in brackets indicate statistically significant effect and the level of significance; n.s. means non-significant

It can be seen from this table that Pilot participants expected to earn £0.33 more per hour than if they had not been through the programme. This effect is significant at the 5 per cent level. The Pilot sample also had higher expectations with regard to the minimum wage they would find acceptable, but this difference was not statistically reliable.

Number of job search methods used

The next outcome measure, number of search methods, is an indicator of the intensity of job search[14]. It is assumed that the more methods people use to find jobs, the more in touch they will remain with a wide range of opportunities. In addition, wide search may be indicative of motivation to get a job.

Individuals were asked to state which job methods they had used in the preceding four weeks, from a list of six (they were also able to state any additional methods which were not listed). The average number of methods used, among those not employed at the stage 2 interview, was 2.61 for the Pilot group and 2.79 for the comparison sample. A re-matching procedure was carried out to assess whether Pilot provision had made an impact on search intensity for those still out of work. The results are shown in Table 3.4.

Table 3.4 Pilot effects on number of job search methods used – analysis based on matching

Measure of job search behaviour	Pilot effect (mean difference)	**Weighted base**
Number of job search method used	-0.08 (n.s.)	*1450*

Note: figures in brackets indicate statistically significant effect and the level of significance; n.s. means non-significant

Again, there is little evidence of a Pilot effect. In fact, Pilot participants used slightly fewer job search methods than their comparators but the effect was much too small to be statistically reliable.

3.5 Self-efficacy

A central position in social-psychological theories of motivation is occupied by the concept of self-efficacy (Bandura, 1997). Feelings of capability, developed through past experience and self-imaging, lead people to attempt goals, and achievement of goals further develops feelings of capability. A labour market programme that helps to initiate this virtuous circle may be particularly effective in developing employability.

To examine this concept, a five-item scale of 'job search self-efficacy' was included in the survey. The items constituting the scale are shown in Table 3.5.

Table 3.5 Items measuring job search self-efficacy

[14] Another available measure is the number of job applications made. This however has two disadvantages. Job applications are influenced by the vacancies available, and hence to some extent may reflect local labour market demand as well as individual search effort. Also, not all respondents can give an exact number of job applications made, so the data are in banded form, which makes analysis more complicated.

Aspect of self-efficacy	Per cent giving positive responses
I know the best ways to apply for the kind of work I want	83.6
I know how to write a good application letter	74.9
I do well at job interviews when I get them	73.2
I have lots of experience relevant to work	80.3
I have many work related skills that would make me a good employee	82.6
Weighted base	*2001*

These responses indicate relatively high levels of job search self-efficacy on the part of respondents. The proportion responding positively is higher in each category than for the young unemployed people asked the same questions as part of the evaluation of New Deal for Young People (Bonjour, Dorsett, Knight, Lissenburgh, Mukherjee, Payne, Range, Urwin and White, 2001). This is particularly the case for the questions on experience and work-related skills, where one would expect the 25+ age group to have some advantage.

Responses to each item were scored 1-5 with higher scores indicative of greater confidence in capacity to carry out an aspect of job search. The responses to each question were added together to form a scale. Mean differences between the Pilot sample and their comparators were then compared to examine whether Pilot provision tended to improve participants' self-efficacy. The results of this analysis are shown in Table 3.6.

Table 3.6 Pilot effects on job search self-efficacy - analysis based on matching

Measure of job search self-efficacy	Pilot effect (percentage points)	**Weighted base**
Job search self-efficacy scale	-0.59 (n.s.)	*2001*

Note: figures in brackets indicate statistically significant effect and the level of significance; n.s. means non-significant

Once more, there is a negligible mean difference between the Pilot and comparison scores on the self-efficacy scale. While there was evidence overall therefore of relatively high levels of self-efficacy, Pilot provision did not raise these above those found in the comparison sample.

3.6 Attachment to the labour market

Attention is turned finally to labour market 'attachment'. Often referred to as being 'economically active', this is usually defined as either having a job, or

seeking a job. Here, the usual definition is extended by also including those who were continuing on New Deal at the time of the second survey interview. In all, 82 per cent of the analysis sample were 'attached' on this definition, a proportion that was higher in the comparison sample (at 85 per cent) than in the Pilot sample (80 per cent). The usual analysis using matching was carried out and the results are shown in Table 3.7.

Table 3.7 Pilot effects on labour market attachment – analysis based on matching

	Pilot effect (percentage points)	**Weighted base**
Attachment to the labour market	-2.73 (n.s.)	*2001*

Note: figures in brackets indicate statistically significant effect and the level of significance; n.s. means non-significant

The higher level of labour market attachment on the part of the comparison sample that was evident from the descriptive statistics persisted after matching, with the Pilot sample having an estimated level of labour market attachment that was 2.73 percentage points lower than it would have been had they not received Pilot provision. This difference was small, however, and did not reach statistical significance.

3.7 Conclusion

Raising participants' employability is one of the primary ways in which an active labour market programme can influence job entry chances beyond the immediate evaluation period. This is because improving employability implies developing the skills and capacities likely to increase participants' labour market prospects over the medium- to long-term.

This chapter's analyses of employability have focused primarily, therefore, on respondents who were not in employment at the time of the stage 2 interview. These respondents are ones who have found it relatively hard to enter work during the evaluation period, so analyses of employability are particularly important for them.

There was very little evidence to suggest that Pilot provision had raised employability. The only significant effect detected in this chapter's analyses was that Pilot entrants had higher wage expectations than their comparators. This is more likely to reduce their chances of entering work over the medium- to long-term rather than increase it, because having higher wage expectations reduces the range of job offers a person is likely to find acceptable. While higher wage expectations may be evidence of greater self-confidence on the part of Pilot participants, this conclusion was not supported by the analysis of self-efficacy. What is perhaps more likely is that the greater effectiveness of Pilot provision

raised expectations with regard to programme impacts and these encouraged participants to have higher wage expectations. A paradox of the programme is that raising expectations in this way might make it harder for those participants who do not enter employment in the short-term to do so in the medium- to long-term, because these higher expectations will make the participants less employable.

4. Pilot effects on job quality

4.1 Introduction

This chapter examines the impact of Pilot provision on job quality. Four aspects of job quality are analysed:

- job satisfaction
- satisfaction with and types of training
- wages and wage progression
- job stability.

The chapter is structured as follows. These are analysed in each of the next four sections, while the final section concludes.

4.2 Job satisfaction

Respondents who were in employment at the time of the stage 2 interview were asked how satisfied or dissatisfied they were with their job. They could choose from seven possible responses:

- completely satisfied
- very satisfied
- fairly satisfied
- neither satisfied nor dissatisfied
- fairly dissatisfied
- very dissatisfied
- completely dissatisfied

Table 4.1 presents the percentages for each response category and compares these for the Pilot and comparison samples. Generally job satisfaction was very high. Well over 80 per cent were satisfied (first three categories) and less than 10 per cent reported dissatisfaction with their job (last three categories). There were no large differences between the Pilot and comparison samples, other than that the latter were somewhat more likely to report complete satisfaction with their job (30 per cent against 25 per cent), while the former were more likely to be fairly satisfied.

So that Pilot effects on job satisfaction could be analysed through the matching technique, a ‘mean score’ of job satisfaction was created using the categorical responses. Each of the categories was assigned a number: ‘completely satisfied’ = 1, ‘very satisfied’ = 2, ‘fairly satisfied’ = 3, …, ‘completely dissatisfied’ = 7. Thus, the categorical variable was transformed into a numerical one. It was now possible to calculate an average of job satisfaction: the mean score. The higher the mean score the lower job satisfaction. The average score for the Pilot sample was 2.37, whereas for the comparison sample it was 2.27. This indicates a somewhat lower average level of job satisfaction among those members of the Pilot sample who were in employment at the time of the stage 2 interview.

Table 4.1 Job satisfaction by sample – descriptive statistics

		Column %s	
Level of job satisfaction	Pilot	Comparison	All
Completely satisfied	25	30	27
Very satisfied	33	34	34
Fairly satisfied	30	25	29
Neither satisfied nor dissatisfied	5	4	5
Fairly dissatisfied	3	2	3
Very dissatisfied	2	3	2
Completely dissatisfied	1	1	1
Weighted base	*306*	*172*	*478*

Re-matching analyses were carried out to test whether this difference remained when employed members of the Pilot sample were matched to their closest employed comparators from within the comparison sample. Table 4.2 reports the results of these analyses.

Table 4.2 Pilot effects on job satisfaction - analysis based on matching

Measure of job satisfaction	Pilot effect (mean difference)	**Weighted base**
Mean score derived from job satisfaction scale	-0.27 (5%)	*478*

Note: figures in brackets indicate statistically significant effect and the level of significance

The analyses based on matching confirm the position suggested by the descriptive statistics, that Pilot provision is associated with lower levels of job satisfaction. This suggests that, while Pilot provision is able to encourage movements into work (see Chapter Two), this is at some cost in terms of job quality. In order to provide a more informed interpretation of this finding, however, it is necessary to examine other indicators of job quality, such as wages. This is done in later sections.

4.3 Satisfaction with training and type of training

Satisfaction with Training

Respondents were asked whether they had received any training in jobs held at the time of the stage 2 survey. As was shown in Chapter Three, about a third of employed respondents had received work-based training, with little variation between Pilot and comparison areas. Satisfaction with this training was measured in the same way as job satisfaction. Again results are reported as percentage of answers in each category. The results are shown in Table 4.3.

Table 4.3 Satisfaction with work-based training – descriptive statistics

Column percentages

Level of satisfaction with training	Pilot	Comparison	All
Completely satisfied	30	29	29
Very satisfied	38	43	40
Fairly satisfied	30	20	27
Neither satisfied nor dissatisfied	3	6	4
Fairly dissatisfied	0	3	3
Very dissatisfied	0	0	0
Completely dissatisfied	0	0	0
Weighted base	*81*	*35*	*116*

Again, levels of satisfaction with training were remarkably high, with over 90 per cent of recipients expressing satisfaction and virtually no one reporting dissatisfaction. While both Pilot and comparison sample respondents reported high levels of satisfaction, there was a difference in the pattern of their responses. Members of the comparison sample were somewhat more likely to say they were 'very satisfied' (43 per cent against 38 per cent), whereas Pilot respondents had a greater tendency to say they were 'fairly satisfied' (30 per cent against 20 per cent). A mean score was derived on this varied in the same way as for job satisfaction. The means score for Pilot respondents was 2.06 whereas for comparison sample respondents it was 2.10. The difference between these scores was not statistically significant, suggesting there was no difference between the Pilot and comparison samples with regard to their satisfaction with training. Sample numbers were too low to explore this further through a matching analysis.

Type of training

As well as asking respondents about satisfaction with training, the stage 2 survey enquired about the type of work-based training undertaken. Of particular interest is whether the training helped towards a qualification. Such training, leading to some kind of formal accreditation, might be expected to be of more lasting benefit to the recipient's employment prospects than more informal training. About two-thirds (67 per cent) of Pilot respondents who received training said it helped towards a qualification, compared to six in 10 members of the comparison sample who received training. This comparison was based on a very small number of respondents (116) however, and was not statistically significant. Sample numbers were too low to carry out a matching analysis on this question.

4.4 Wages and wage progression

Wages

Most research in labour economics suggests there is a positive correlation between pay and productivity, so that a positive programme impact on wages could be taken to indicate that the programme is promoting greater productivity and efficiency (Polachek and Siebert (1993). At the same time, government programmes have sometimes been accused of coercing claimants into accepting jobs with lower wages than they would otherwise have accepted (White, Lissenburgh and Bryson, 1997). The analysis in this section is able to show whether either of these effects is discernible in relation to ND25+ Pilot provision.

Of the 548 respondents in employment at the time of the stage 2 survey, 434 (79 per cent) were able to provide credible information on the net hourly pay they earned in that job. Comparison sample members earned more, on average, than Pilot participants (£4.78 per hour against £4.54) but this difference was not statistically reliable. There were sufficient survey respondents in employment and providing wage data to carry out a re-matching analysis, in order to estimate whether there were any wage differences by sample that could be attributed to Pilot participation. Table 4.4 contains the results of this analysis.

Table 4.4 Pilot effects on wages – analysis based on matching

Measure of wages	Pilot effect (£ per hour)	*Weighted base*
Net hourly rate	-0.71 (n.s.)	*434*

Note: figures in brackets indicate statistically significant effect and the level of significance; n.s. means non-significant

While the matching analyses confirm the lower earnings of Pilot participants relative to the comparison sample, the difference of 71 pence per hour is not statistically significant. There is no evidence from this analysis, therefore, that Pilot participation either boosts or depresses wages.

Wage progression

It is also of interest to examine wage progression from the stage 1 to the stage 2 interview. Wage growth can be seen as an indicator of high quality jobs whereas wage stagnation or decline could suggest that respondents ended up in dead-end jobs with little prospects of improving the situation.

Table 4.5 summarises the results. The number of observations fell dramatically as relatively few respondents held jobs at both the stage 1 and stage 2 interviews. In fact, only 91 respondents did so. Due to these sample restrictions the analysis is of an ‘anecdotal’ nature and results have to be interpreted with caution.

Table 4.5 Wage progression – descriptive statistics

Net £ per hour

	Pilot	Comparison	All
Stage 1	3.92	3.93	3.93
Stage 2	4.19	4.30	4.23
Progression	0.27	0.37	0.30
Weighted base	*61*	*31*	*91*

This small subsample of respondents employed (and able to provide wage data) at both the stage 1 and stage 2 surveys started off at stage 1 with almost identical mean net wage rates of around £3.93 per hour. By stage 2, more growth had been exhibited by the comparison sample, whose wages rose by 37 pence per hour (nine per cent), compared with growth for the Pilot sample of 27 pence per hour (seven per cent). This difference was too small to be statistically significant, however, especially given the small sample sizes.

While the results were gained from a very restricted and small subsample of the survey, it seemed to be the case, on the whole, that respondents experienced wage growth rather than wage decline or wage stagnation. There was no reliable evidence, however, of faster or slower wage growth on the part of Pilot participants.

4.5 Job stability

An important aspect of job quality is whether the job is likely to last a reasonable amount of time. Respondents who were in employment at the time of the stage 2 interview were asked whether they thought their job was ‘a permanent one’, ‘a seasonal, temporary or casual one’, ‘a job done under contract for a limited period of time’ or ‘a job that is in some other way not permanent’. Table 4.6 shows how the answers differed by sample.

Table 4.6 Perceived job stability – descriptive statistics

Column percentages

	Pilot	Comparison	All
Permanent	79	81	80
Seasonal/temporary/casual	10	13	11
Fixed-term contract	8	4	6
Other non-permanent	4	2	3
Weighted base	*304*	*169*	*473*

The greater majority of employed respondents thought their job was stable, with eight in 10 saying it was ‘permanent’. This proportion did not vary appreciably

across samples. The other categories had correspondingly fewer incumbents, although just over one in 10 said their jobs were temporary, seasonal or casual.

A re-matching analysis was carried out with employed respondents to test whether there were any differences in the degree of job stability by sample that could be attributed to Pilot participation. These analyses estimated mean differences in the proportion of respondents in the two samples who said their job was permanent, as opposed to any of the three 'non-permanent' categories. The results of these analyses are shown in Table 4.7.

Table 4.7 Pilot effects on job stability – analysis based on matching

Measure of job stability	Pilot effect (percentage points)	*Weighted base*
Whether job perceived as permanent	1.43 (n.s.)	*473*

Note: figures in brackets indicate statistically significant effect and the level of significance; n.s. means non-significant

As the descriptive statistics suggested, the difference between Pilot participants and their matched comparators with regard to perceived job stability was very small. Pilot participants were a little more likely to perceive their job as permanent, but by less than two percentage points. Such a small difference was, of course, not statistically significant.

4.6 Conclusion

As was the case with the analyses of employability, very few differences emerged between the Pilot and comparison samples in relation to the quality of jobs they held at the time of the stage 2 survey. The only reliable difference was that Pilot entrants had lower levels of job satisfaction than their comparators. There were no differences between the samples, however, in relation to wages or wage progression. This finding is consistent with that of higher wage expectations reported for Pilot participants in Chapter Three. Given their higher wage expectations, Pilot participants would perhaps be expected to show lower levels of satisfaction with jobs that paid no more than those of their comparators.

5. Conclusion

The purpose of this final chapter is to draw together the chief findings of the evaluation and place them in perspective.

The main findings of the evaluation can be grouped into three categories:-

- Pilot effects on employment entry and exit from JSA
- Pilot effects on employability
- Pilot effects on job quality

Pilot effects on employment entry and exit from JSA

Analyses based on matching in the context of a matched comparison group evaluation design produced the following main findings:-

- Pilot provision was effective in encouraging participants out of unemployment. This was the case for the evaluation period as a whole and for 1999 and 2000 considered separately. Effects were found in relation to both exits from JSA and time off JSA, so that once the programme had enabled participants to leave unemployment, they tended not to return.

- Pilot provision was effective in encouraging participants to enter employment.

- Pilot effects on both employment entry and unemployment exit were stronger for this cohort in 1999 than in 2000. Indeed, Pilot effects on employment entry had become non-significant in 2000 for this cohort. The diminution of the Pilot advantage over the comparison sample in terms of employment entry and unemployment exit could be due either to the atrophy of Pilot effects or to a 'catching-up' process on the part of the comparison group. The available evidence suggested the latter was more likely. Pilot respondents had higher employment entry and unemployment exit levels in 2000 than 1999, but by this year many members of the comparison group had accumulated substantial experience under the national New Deal for the Long Term Unemployed (ND25+) programme, which after April 2000 was improved so that the Gateway more closely resembled that in the Pilots. It is perhaps not surprising that a reduction of the Pilot advantage coincided with many members of the comparison sample receiving assistance that included some elements of Pilot provision.

Attempts were also made to estimate the separate impact of different elements of Pilot provision, especially the Gateway and Intensive Activity Period (IAP). This proved particularly difficult in relation to the former, but it was possible to establish that both had a discernible impact and that movements off JSA from the Gateway were almost certainly more pronounced than from the IAP. The effect of IAP seemed more sustained, however, and was not weakening at the end of the evaluation period.

It was also possible to establish that Pilot provision was effective in both 12 month entry and 18 month entry areas but there was no indication that intervention at 12 months was more effective than at 18 months, or vice-versa. This result is somewhat surprising given that internal ES monitoring of Joint Unemployment and Vacancies Operating System data has consistently shown that 18 month intervention is more effective than at 12 months in terms of off-flows from JSA. The finding of no significant differences between 12 and 18 month intervention in this research might stem from the fact that people in the 18 month comparison group became eligible for national New Deal provision sooner than those in the 12 month comparison group, thus reducing the 18 month effect.

Among New Deal opportunities, positive effects were found for Employer Subsidy but Education and Training Opportunities and Work Based Learning for Adults had a negative or no impact.

Pilot effects on employability

Raising participants' employability is one of the primary ways in which an active labour market programme can influence job entry chances beyond the immediate evaluation period. This is because improving employability implies developing the skills and capacities likely to increase participants' labour market prospects over the medium- to long-term.

The analyses of employability focused primarily, therefore, on respondents who were not in employment at the time of the stage 2 interview. These respondents are ones who have found it relatively hard to enter work during the evaluation period, so analyses of employability are particularly important for them. In the absence of objective measures of employability, measures of in-work training, qualifications, job search, self-efficacy and attachment to the labour market were derived from survey responses and used as proxies for 'employability'.

Analysing self-assessed measures of employability of this type provided very little evidence to suggest that Pilot provision had raised employability. The only significant effect detected was that Pilot entrants had higher wage expectations than their comparators. This is more likely to reduce their chances of entering work over the medium- to long-term rather than increase it, because having higher wage expectations reduces the range of job offers a person is likely to find acceptable. While higher wage expectations may be evidence of greater self-confidence on the part of Pilot participants, this conclusion was not supported by the analysis of self-efficacy. What is perhaps more likely is that the greater effectiveness of Pilot provision raised expectations with regard to programme impacts and these encouraged participants to have higher wage expectations. A paradox of the programme is that raising expectations in this way might make it harder for those participants who do not enter employment in the short-term to do so in the medium- to long-term, because these higher expectations will make the participants less employable.

Pilot effects on job quality

As was the case with the analyses of employability, very few differences emerged between the Pilot and comparison samples in relation to the quality of jobs they held at the time of the stage 2 survey. The only reliable difference was that Pilot entrants had lower levels of job satisfaction than their comparators. There were no differences between the samples, however, in relation to wages or wage progression. This finding is consistent with that of higher wage expectations reported for Pilot participants, referred to above. Given their higher wage expectations, Pilot participants would perhaps be expected to show lower levels of satisfaction with jobs that paid no more than those of their comparators.

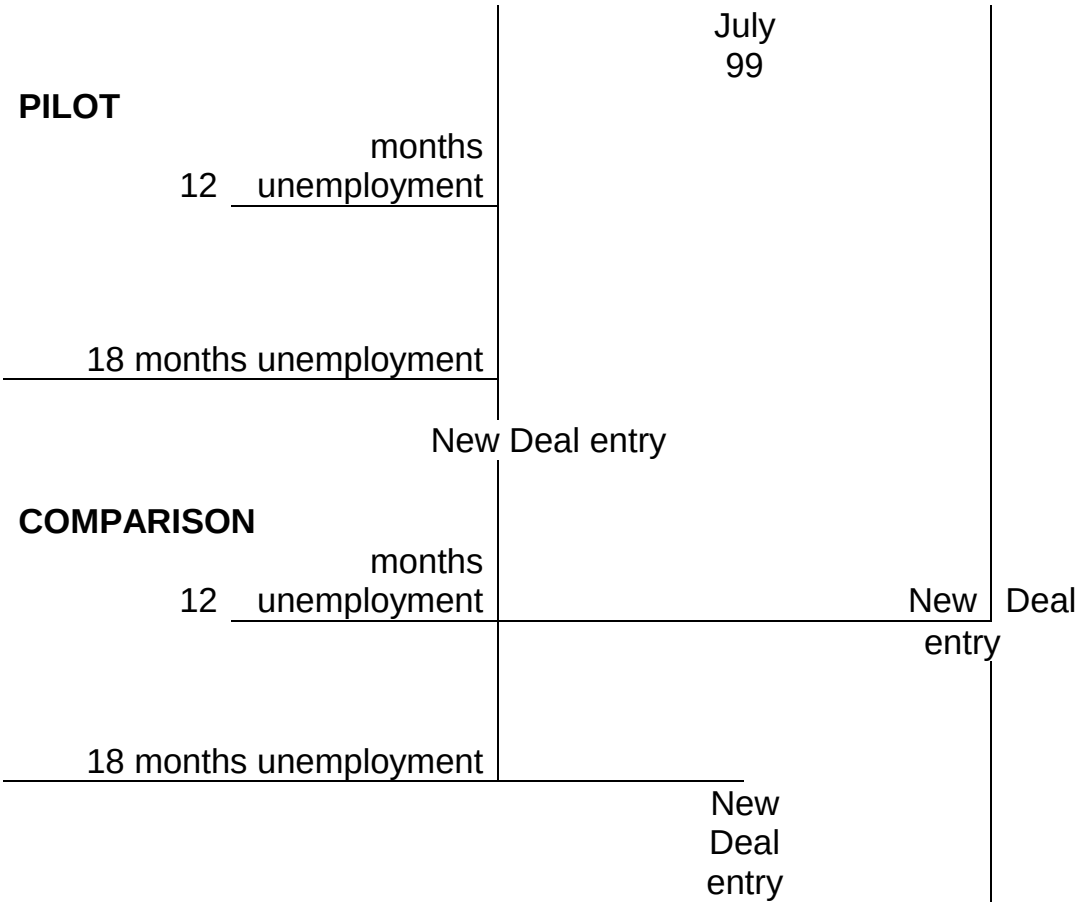
Conclusions

Taken together, these findings present a comprehensive picture of how Pilot provision affected recipients' labour market experiences during a relatively short period after the introduction of the programme. The weight of evidence suggests that the Pilots were able to quickly improve the labour market prospects of many participants, as shown by the positive Pilot effects on job entry, JSA exit and time off JSA in the first year of the evaluation period, 1999. It is not possible to say how long these large effects would have persisted if the comparison sample had continued to receive little assistance from employment programmes in the second half of the evaluation period, but as they started to spend more time on New Deal in 2000 the Pilot effects lessened and, in the case of employment effects, disappeared.

The analyses of employability gave no suggestion that Pilot participants who had not found a job before the end of the evaluation period would have more success in this regard than similar people from the comparison sample over the next few years. ND25+ Pilot provision did not seem to enhance employability, at least as proxied by survey responses on items such as in-work training, qualifications, job search, self-efficacy and attachment to the labour market, in the way that some elements of the New Deal for Young People (NDYP) programme have done. This suggests that the positive Pilot effects identified in this report represent a large proportion of the overall advantage over the comparison sample likely to be enjoyed by this cohort of participants. To some extent, this is consistent with the more intensive, work-first ethos of ND25+ Pilot provision compared with, for example, NDYP. As a programme of this type, there is considerable evidence to suggest it has been a success.

Appendix 1 EVALUATION DESIGN

Jan 99 EVALUATION Jan 00 PERIOD


July
99
PILOT
months
12 unemployment
18 months unemployment
New Deal entry
COMPARISON
months
12 unemployment
New Deal
entry
18 months unemployment
New
Deal
entry